

NCA

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INFLATION AND MONEY DEVALUATION

ANNCR:

SUNDAY'S DEVALUATION OF THE AUSTRALIAN DOLLAR IS THE LATEST SUCH NATIONAL MONETARY ACTION BROUGHT ABOUT IN GREAT PART BY HIGH INFLATION. VOA BUSINESS EDITOR FRANK FEINBERG HAS THIS PERSPECTIVE ON A WORLD PROBLEM:

VOICE:

DEVALUATION OF THE AUSTRALIAN DOLLAR BY SEVENTEEN PER CENT (17.5) COMES AFTER A SERIES OF MEASURES THIS YEAR TO CURB AUSTRALIA'S CURRENT FOURTEEN PER CENT INFLATION RATE. INFLATION IS LARGELY BLAMED FOR AUSTRALIA SUSTAINING A SEVERE DROP IN FOREIGN RESERVES, A LAG IN INVESTMENTS, STAGNANT INDUSTRIAL OUTPUT AND FALLING EXPORTS. THE GOVERNMENT HOPES THAT BY ADJUSTING ITS CURRENCY TO REFLECT ITS TRUE VALUE AGAINST OTHER NATIONAL CURRENCIES, THE AUSTRALIAN ECONOMY WILL GET THE NEEDED STIMULATION TO REGAIN ITS HEALTH.

AUSTRALIA'S ACTION FOLLOWS SOON AFTER MEXICO'S DEVALUATION OF ITS PESO, AND THE DECLINE IN VALUE OF THE CANADIAN DOLLAR. ALTHOUGH THERE ARE OTHER FACTORS INVOLVED IN THE EROSION OF THE EXCHANGE RATE OF THESE THREE CURRENCIES, THERE IS THE INDISPUTABLE FACT THAT INFLATION IS A MAJOR FACTOR.

THE DIMINISHED VALUE OF THESE CURRENCIES, AS WELL AS OTHERS, ATTESTS TO THE FEARS OF WHAT UNBRIDLED INFLATION CAN DO TO NATIONAL ECONOMIES. . . AND TO THE WORLD ECONOMY. AUTHORITIES LIKE JOHANNES WITTEVEEN, HEAD OF THE INTERNATIONAL MONETARY FUND, EMPHASIZE THAT INFLATION IS THE GREATEST POTENTIAL THREAT TO ECONOMIC WELL BEING. AND HE AND OTHERS POINT OUT THAT WHILE

INFLATION HURTS ALL PEOPLES, IT MOST SEVERELY AFFECTS THOSE WITH THE LOWEST INCOMES, DEPRIVING THEM OF ESSENTIALS.

CHAIRMAN ARTHUR BURNS, HEAD OF THE FEDERAL RESERVE SYSTEM, THE U.S. CENTRAL BANK, LONG HAS REGARDED INFLATION AS A HAZARD. AND AUTHORITIES IN WESTERN EUROPE AND JAPAN ALSO ARE APPREHENSIVE. WHAT THEY ALL WOULD LIKE TO ACHIEVE IS SUSTAINABLE ECONOMIC GROWTH, WHILE RESTRAINING -- AND REDUCING -- INFLATION. FRANCE HAS ADOPTED A STIFF ANTI-INFLATION PROGRAM. ITALY HAS ADOPTED AUSTERITY MEASURES. THE BRITISH GOVERNMENT IS PROMOTING MEASURES TO CHECK INFLATION.

SOME AUTHORITIES MAINTAIN THAT STRONGER ECONOMIES CAN BE CRANKED UP FASTER -- TO INCREASE EMPLOYMENT -- WITHOUT UNDUE FEAR OF INFLATION GALLOPING OUT OF CONTROL. THESE ARGUMENTS WILL NEED CAREFUL EVALUATION. AND PRESIDENT-ELECT JIMMY CARTER -- ALONG WITH OTHER NATIONAL LEADERS -- WILL HAVE TO MAKE VITAL DECISIONS REGARDING ECONOMIC STIMULATION AND INFLATION. CURRENTLY THE UNITED STATES INFLATION RATE OF ABOUT SIX PER CENT IS ONE OF THE LOWEST AMONG INDUSTRIALIZED STATES. THIS HAS BOLSTERED THE U.S. DOLLAR IN CURRENCY TRANSACTIONS. THE U.S. OBJECTIVE IN THE MONTHS AHEAD WILL BE A STABLE ECONOMY, BENEFICIAL NOT ONLY TO THE UNITED STATES, BUT ALSO TO ITS GLOBAL TRADING PARTNERS.

JS/RCS